HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Kelowna CMA

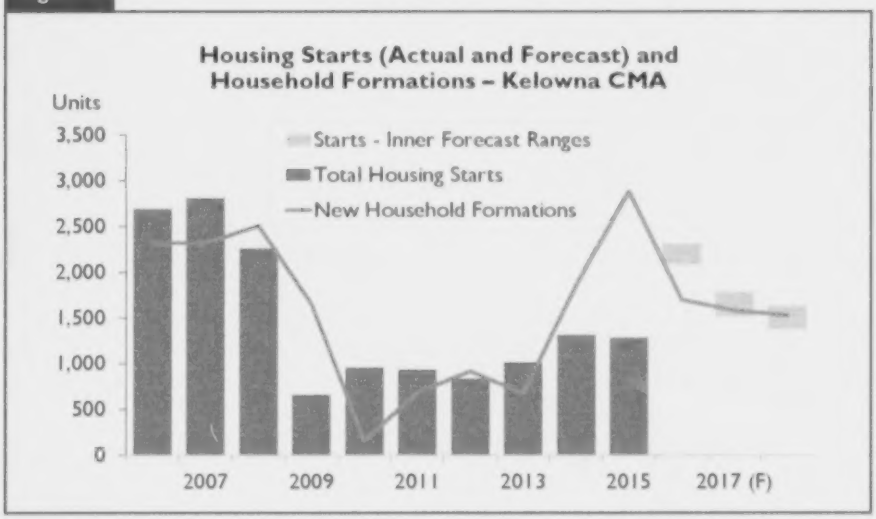
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2016

Highlights[1]

- A significant increase in multiple-family housing starts along with steady construction of single-detached homes will result in a higher number of total housing starts in 2016 with some moderation in 2017 and 2018.
- MLS® sales will end the year at a new record level followed by some moderation over the forecast horizon. MLS® average prices are expected to increase significantly in 2016, partially as a result of a shift towards more high-end sales, followed by more modest gains through 2018.
- Population growth is expected to remain steady while employment is expected to pick up, supporting housing demand.

Figure 1



Sources: CMHC, BC Stats PEOPLE 2016 Household Projections, calculations by CMHC

[1] The forecasts and historical data included in this document reflect information available as of September 30, 2016.

Table of Contents

1 Highlights
2 New Home Construction to Increase in 2016 and Moderate in 2017-2018
3 Record resale market activity in 2016 to be followed by some moderation in 2017-18
4 Vacancy rate to decline further in 2016 before rising in 2017-18
5 Economic outlook
6 Mortgage rates are expected to rise modestly over the forecast horizon
7 Risks to the outlook
11 Trends at a glance
12 Forecast summary

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- The anticipated number of new rental units coming onto the market in 2016 is not expected to meet demand, resulting in a further decline in the vacancy rate to 0.5 per cent in 2016, followed by an increase to 1.5 per cent in 2017 and 2.0 per cent in 2018.

New Home Construction to Increase in 2016 and Moderate in 2017-2018

Positive economic and demographic fundamentals such as migration-fueled population growth, low mortgage interest rates, a recovering labour market and strong resale market activity have been the catalyst for steady demand for new homes in the Kelowna Census Metropolitan Area (CMA) this year. Steady population growth, albeit slower than seen in 2015, will add to stable demand for new homes through 2018. Migration of young professionals, retirees and seniors to the Kelowna area along with a low vacancy rate environment have contributed to an increase in multi-unit construction – particularly for apartment rentals and to a lesser extent apartment condominiums. However, as vacancy rates are anticipated to remain low and the number of completed and unsold apartment condominiums on the market also remains low, new construction of rental and condominium units will contribute to densification in the City of Kelowna's Core Area. Additionally, rising demand from incoming students will contribute to continued development around the University of British Columbia Okanagan campus.

With positive fundamentals driving the market, a greater focus has been placed on multi-unit starts in 2016 and this trend is forecast to continue over the forecast horizon. Demand for multi-unit housing in the market can, in part, be attributed to migration of young professionals, retirees and seniors which is highly correlated with new construction of multi-unit homes.[2] Demand for all types and tenures of multi-unit housing has increased significantly in 2016 and much of the focus has been on rental apartments - which comprised 46 per cent (442 units) of all multi-unit starts in the first eight months of the year. In addition to new rentals, there were a total of 473 condominium tenure starts in the first eight months of the year consisting of 241 apartments, 176 townhouses and 56 semi-detached homes. Alongside stronger sales in the resale market for both townhomes and apartment condominiums, inventories of completed and unsold multi-unit homes have remained at an almost 10-year low in 2016. So far in 2016, the number of unsold new apartment condominiums has held steady at zero for seven out of eight months, as demand for this type of unit has seen a resurgence. Meanwhile the number of apartment condominiums completed so far in 2016 totalled 168 units. Inventories of unsold semi-detached homes and townhomes also remain near historic lows in the Kelowna area. Demand for these units picked up significantly in 2016, as the average resale price for single-detached homes increased by double digits and may be diverting demand to more ground oriented new multi-unit homes. In particular, housing starts for townhomes picked up considerably, with an increase of 89 percent relative to the first eight months of 2015. With inventories remaining low across all housing types in the multi-unit segment of the market, expect new construction of both rental and condominium multi-unit homes, to dominant construction over the next two years.

New construction activity is anticipated to increase significantly in 2016, relative to 2015, with annual housing starts forecast to be in the range of 2,090 and 2,310. Multi-unit construction is expected to make up the dominant share of starts with between 1,350 and 1,620 starts forecast, while single-detached starts are expected to be in the 680 to 760 range. In 2017, annual housing starts are expected to remain above the 10-year average and range between 1,520 and 1,780 starts. Continued movement towards

Note to readers

In an effort to align itself with the various needs of those seeking information about the housing market, CMHC's Market Analysis Centre has undertaken a complete review of its products and services. As a part of this review, the CMHC's *Housing Market Outlook* publication will be undergoing a series of modifications. The general objective is to provide a range of possible outcomes that, in a context of economic and financial uncertainty, will better help users in their decision-making process.

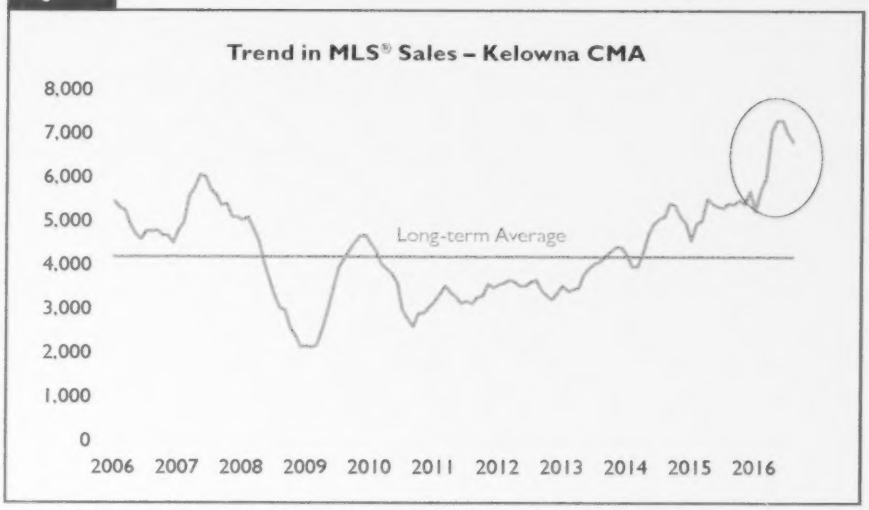
As a first step in this ongoing process, the present edition incorporates forecast ranges for housing variables as well as an expanded discussion on the risks to the forecast. A more detailed description of the forecast range methodology is provided at the end of the publication.

[2] Housing Market Insight – Kelowna CMA, released August 2016

a balanced market along with a slow rise in mortgage interest rates will result in housing starts in the range of 1,380 to 1,630 units in 2018.

The Kelowna Census Metropolitan Area is forecast to see moderate population growth and household formation which will act to fuel housing demand over the next two years. The Kelowna CMA is expected to gain just under 1,700 new households in 2016, down from 2,882 new households in 2015. Household formations are projected to moderate further from the high in 2015, averaging 1,560 new households annually over the next five years (see Figure 1). This pace of household formations is above the average over the past five years of 1,402 new households per year.[3]

Figure 2



Source: Okanagan Mainline Real Estate Board (OMREB), CMHC calculations.
Note: The trend is the three month moving average of the monthly seasonally adjusted annual rates of sales, which is the annual total that would result if the pace of sales in a given month continued for an entire year.

Record resale market activity in 2016 to be followed by some moderation in 2017-18

The Kelowna CMA has been experiencing a record pace of sales in the first eight months of 2016, pushing past the previous peak pace of sales in 2007 (see Figure 2). In the first eight months of the year, residential MLS® sales totalled 4,926 units, compared with a total of 3,819 transactions over the same period in 2015 – an increase of 29 per cent.[4] Following a period of uncertainty in 2015 when oil, gas and other commodity prices moved sharply downward, the momentum that had been building in the Kelowna market since 2014 continued into the first half of 2016 generating high levels of resale market activity. Supported by population growth, household formation and lower mortgage interest rates, MLS® sales activity increased notably across all segments of the market including single-detached, townhouse and apartment condominium units. As sales outpaced new listings, the overall market conditions shifted into sellers' market territory.

The trend in resale market activity in 2016 has been one of elevated activity as a faster pace of population growth has placed upward pressure on sales and downward pressure on existing inventories – contributing to greater competition in the housing market by potential buyers. The result is that the market will see a level of sales above the 10-year average (of 4,193 transactions) over the forecast horizon with a slow moderation in the number of transactions in 2017 and 2018. Some moderation in the number of resale transactions is expected as a result of slower expected population growth, along with a slow rise in mortgage interest rates, contributing to some dampening in housing demand over the forecast horizon. The number of resale transactions is expected to be between 6,500 and 6,900 in 2016; between 5,520 and 6,290 in 2017, and between 4,820 and 5,890 in 2018.

Stronger sales activity in 2016, which has not been met with corresponding increases in new listings, has resulted in resale market conditions which favour sellers as of the end of the second quarter. With new listings not keeping pace with sales, the number of active listings on the market in any given month has also been moving lower which means that potential buyers have been facing more competition when making offers on a home

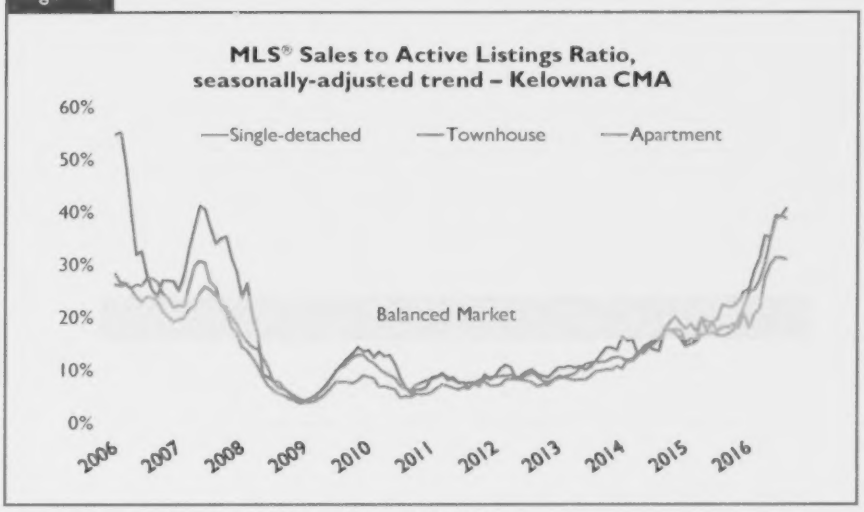
[3] BC Stats - PEOPLE 2016, released September 2016; CMHC calculations

[4] Okanagan Mainline Real Estate Board (OMREB), all resale market figures appearing in this section were provided by OMREB.

(see Figure 3). As a result, the Kelowna CMA has been experiencing accelerated price growth with the total residential average MLS® price increasing approximately 14 per cent in the first eight months of 2016, relative to prices over the same period in 2015. Typically, rising home prices will draw new listings onto the market as existing homeowners may see it as a good opportunity to change their housing situation. However, an increase in new listings can come with a lag and market conditions can become tighter for a period of time – as they have in Kelowna in 2016. However, despite sales outpacing listings in 2016, it is expected that market conditions will moderate back towards balance in 2017, as population growth is anticipated to be more modest going forward allowing time for existing homeowners and builders to catch up with market demand.

Tighter resale market conditions, along with a significant change in the composition of sales, will place upward pressure on the average MLS® home price over the forecast horizon. After reaching $435,261 in 2015, the average MLS® home price is forecast to be within the range of $491,100 and $498,900 in 2016. Modest increases in the average MLS® price are also expected in 2017 and 2018 as sales moderate and the supply of homes available for sale increases to meet demand. The average MLS® home price is expected to rise to between $516,400 and $533,600 in 2017 and $522,500 and $547,500 in 2018.

Figure 3



Source: Okanagan Mainline Real Estate Board (OMREB)

Vacancy rate to decline further in 2016 before rising in 2017-18

The apartment vacancy rate in the Kelowna CMA is expected to remain low in 2016, before beginning to increase in 2017 and 2018. Elevated demand for rental housing options has spurred builders to increase the supply of new units getting underway in 2016, with a total of 543 apartment rentals under construction as of August 2016. However, the number of rental units that will be completing in 2016 is not likely to keep pace with demand, as population growth in the area has placed additional pressure on the rental market. As a result, vacancy rates are forecast to begin to rise modestly starting in 2017 and rise further into 2018 as more of the rental units currently underway, or those getting underway in the near future, come onto the market.

The current forecast is for the apartment vacancy rate to decline from 0.7 per cent as of October 2015 to 0.5 per cent in October 2016. It is expected that the number of newly completed and available units will be sufficient to allow an increase in the apartment vacancy rate to 1.5 per cent in 2017 followed by an increase to 2.0 per cent in 2018 as population growth moderates and supply catches up with demand (see Figure 4).

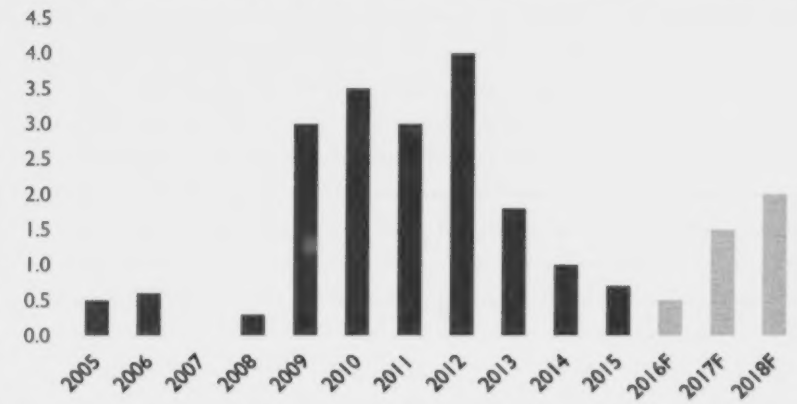
As a result of tighter rental market conditions in the near term, rent increases for purposed built rental apartments are expected to be higher in 2016 before aligning more closely with the general rate of inflation in 2017 and 2018. The average rent for a two-bedroom apartment rental in the Kelowna CMA is forecast to reach $1,030 in 2016, followed by $1,050 and $1,065 in 2017 and 2018, respectively.

Population growth, improvement in the local economy and ongoing demand from post-secondary institutions in the Kelowna CMA will support rental demand over the forecast horizon. The region is forecast to add an estimated 3,255 people in 2016 followed by over 3,400 people per year in 2017 and 2018 respectively. According to BC Stats population projections, the age cohorts that are predicted to grow the fastest over the forecast horizon include individuals in their prime working years (aged 25 to 44 years) as well as retirees and seniors (aged 65 and over).[5] These individuals choosing to call the Central Okanagan home will be forming their own households and a portion of them will be choosing rental housing. Young professionals moving to the area may choose to rent first before moving into homeownership while retirees and seniors may choose rental housing to fit their lifestyle and/or to minimize variable costs and maintenance.

Another source of rental demand includes the post-secondary institutions which serve Kelowna and surrounding areas including the University of British Columbia Okanagan and Okanagan College. Students attending these institutions along with recent graduates choosing to remain in the Kelowna area are a consistent source of rental demand. Young people relocating to attend school tend to rent through their school and early working years. As enrolment at both institutions increased in 2015, totalling over 13,000 students, the area have a steady source of rental demand. As well, the local economy and businesses will benefit from the skilled workers being trained and who may be looking to work in the area post-graduation.[6]

Figure 4

Apartment Vacancy Rate (%), Actual and Forecast – Kelowna CMA



Source: CMHC Rental Market Survey

Economic outlook

A low Canadian dollar, steady population growth and a recovery in employment levels over the forecast horizon will support the economy in the Kelowna CMA. In turn, these factors will underpin an active resale market and new construction activity while expanding the number of multi-unit housing options available to people looking to buy or rent.

The Kelowna CMA has a diversified economy based on; 1) goods producing industries such as agriculture and manufacturing; 2) service producing industries like education, healthcare and tourism and; 3) growth industries such as the high technology industry. Together these industries which will act as key job creators over the forecast horizon. A low exchange rate relative to the US dollar is expected to benefit goods producing industries – particularly those involved in exporting their products. This low exchange rate environment will also benefit service producing industries such as businesses related to tourism, accommodation and food services. Passenger volumes through Kelowna International Airport act as a proxy to tourism/economic activity in the region and seven out of the first eight months of 2016 had record breaking volumes.[7] Additionally, an increase in the number of people living in the region over time will result in greater demand for other services such as education and healthcare in addition to supporting consumer spending.

Beginning in mid-2015 employment in the Kelowna CMA was impacted by a prolonged drop in commodity prices that resulted in a slowdown in Canada's energy sector. A portion of the labour force in the Kelowna

[5] BC Stats – P.E.O.P.L.E. 2016, released September 2016; CMHC calculations

[6] University of British Columbia Okanagan – Enrolment Statistics 2015-16, Okanagan College – 5 Year FTE Trend Report

[7] Kelowna International Airport – Facts and Statistics, http://www.kelowna.ca/CM/Page182.aspx

area was either directly or indirectly reliant on this sector. As of August 2016, year-to-date employment in the Kelowna area remained down 2.8 per cent relative to the same period in 2015. However, as the labour market has generally been improving since the second quarter, the current expectation is that by the end of 2016 employment will come in just 2.0 per cent below 2015 levels. In 2017, employment is forecast to increase 2.2 per cent followed by an increase of 1.7 per cent in 2018.

In addition to population and employment growth, there are a number of major projects planned or already underway in the region which will support the local economy. Public sector investments in commercial space in the downtown core, by Interior Health and the RCMP will help solidify Kelowna's role as the major service centre in the interior of British Columbia, along with continued upgrades to Kelowna General Hospital to support population growth. The expansion and renovation of the Trades Complex at Okanagan College has recently completed, and will provide additional support to the labour needs of the region in the coming years. Moreover, there are a number of projects underway or set to begin in the next two years including major infrastructure upgrades, a renewable energy project, large commercial projects in the downtown core and several large residential housing projects – all of which will support employment in trades and construction. Lastly, continued expansion of Kelowna International Airport will provide employment prospects over the forecast horizon. The resulting expansion of the transportation network connecting businesses and goods to the Kelowna area, and vice versa, will support long-term economic prospects.[8]

Mortgage rates are expected to rise modestly over the forecast horizon

Mortgage rates are expected to increase very modestly over the period 2016-2018. This is consistent with the expected pick-up over the horizon for inflation and real GDP growth by several forecasting institutions.

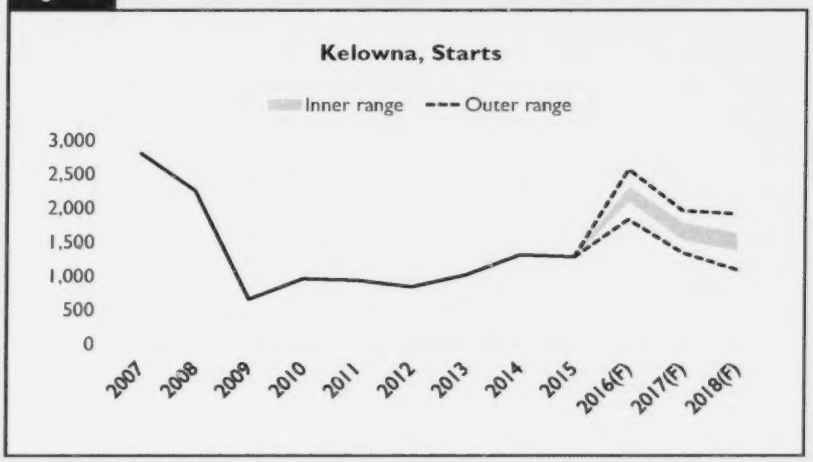
According to our base case scenario, the posted 5-year mortgage rate is expected to be within a 4.5 to 4.9 per cent range in 2016 and within a 4.4 to 5.2 range in 2017. For 2018, the posted 5-year mortgage rate should lie within a 4.5 to 5.7 per cent range.

[8] BC Stats – Major Project Inventory – 2016Q1 Edition

Risks to the Outlook

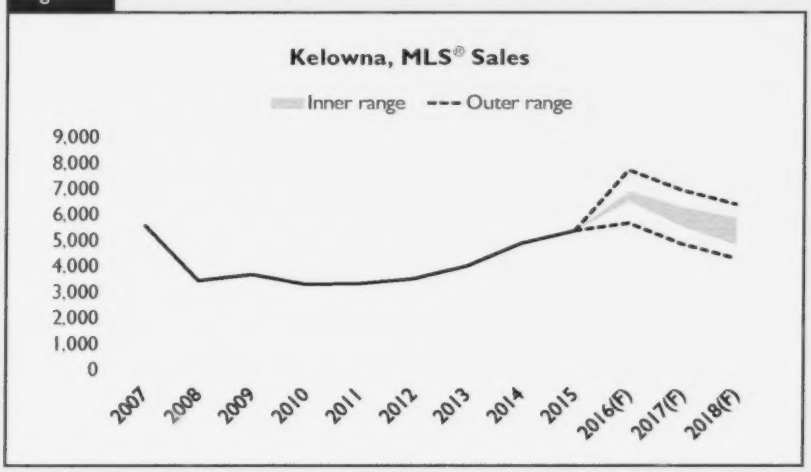
- Mortgage Rates Remaining Lower for Longer – Mortgage rates that remain low for longer than anticipated could result, all else equal, in housing demand that is higher than anticipated over the forecast horizon. The result could be higher than expected sales activity in the resale market which could spur a higher level of new construction than outlined in the inner forecast ranges and thus result in housing starts, MLS® sales and average MLS® prices falling outside of the inner forecast ranges – with a more of an upside risk in this scenario.
- Population Growth & Household Formation – Stronger/weaker population growth and household formations than anticipated also represents upside/downside risks to the forecasts for housing starts, MLS® sales and average MLS® prices. In a scenario where population growth and household formations are stronger than anticipated, this could result in continued pressure on the resale market in terms of lower listings relative to sales. The result of a persistently tight resale market is that not only MLS® sales would have the potential to push closer to the top of the wide forecast range but also housing starts and Average MLS® Prices could move upward in a similar way. The opposite would happen in a situation of slower population growth and household formation.
- Impact of Lower Mainland Buyers – A stronger/slowing number of migrants moving to the Kelowna area from the Lower Mainland represents some upside/downside risk to the outlook. In a scenario of stronger migration from the Lower Mainland, this would represent an upside risk which would likely push average MLS® prices closer to the top of the wide forecast range as buyers migrating from this region may bring with them significant purchasing power which could push prices higher – especially if there are tangible increases in sales of high-end homes. A certain measure of this has already been seen so far in 2016 as resale market transactions involving Lower Mainland

Figure 5



Source: CMHC, (F): Forecast

Figure 6



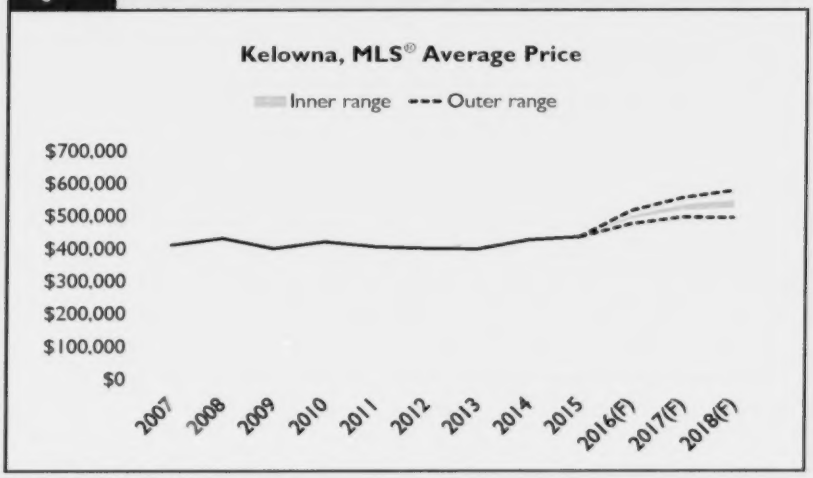
Source: OMREB, (F): Forecast

Risks to the Outlook

buyers was estimated at over 18 per cent in the first half of the year, relative to approximately 10 per cent in 2015.[9]

- Labour Force Skills Mismatch/ Slower Employment Recovery – A fundamental labour force skills mismatch, in terms of potential employees not possessing the skills employers are looking for, or a slower employment recovery in the Kelowna area represents a downside risk to the forecast. In particular, a slower employment recovery may slow population growth and thus household formations. This could result in a scenario where housing starts, MLS® sales and average MLS® prices are pushed closer to the bottom of the wide forecast range.
- Pessimism/Underbuilding – As humans we tend to fear losses more than we appreciate gains and, as such, in the post-2008 period there is a tendency to remember past losses and approach current market conditions with a significant amount of risk aversion. This behaviour poses a potential risk to the outlook, particularly in terms of MLS® sales and average MLS® prices as builders may be slower to ramp up production to meet demand (or unwilling to act right away) than current market indicators would suggest.

Figure 7



Source: OMREB, (F): Forecast

The impact of mortgage regulation changes

On October 3, the Government of Canada announced measures designed to support the health and stability of Canadian housing markets and housing finance system. The measures include new eligibility rules for high ratio insured mortgages (where the loan to value ratio is greater than 80%) and new eligibility criteria for low ratio insured loans (loan-to-value less than 80%) that previously only applied to high ratio mortgages. Under the new measures, all high ratio mortgages will now be "stress tested" to ensure borrowers can afford their loan if interest rates rise. Borrowers will now have to meet higher debt servicing limits calculated using the greater of the contract rate and the Bank of Canada's 5 year posted rate. The latter is currently more than 2% higher than typical contract rates. This "stress test" approach has been applied since 2010 to variable rate mortgages and fixed rate mortgages of a term of less than 5 years. Applying this stress test to loans with terms of five years and longer extends this test to all high-ratio insured mortgages.

As the policy just took effect, it is difficult to precisely evaluate the impacts on housing markets. In general, an increase in mortgage rates affects house prices, sales, and starts negatively. However, the stress test approach affects the size of the insured mortgage for which the home borrower qualifies and it is not an increase

[9] Okanagan Mainline Real Estate Board (OMREB)

Risks to the Outlook

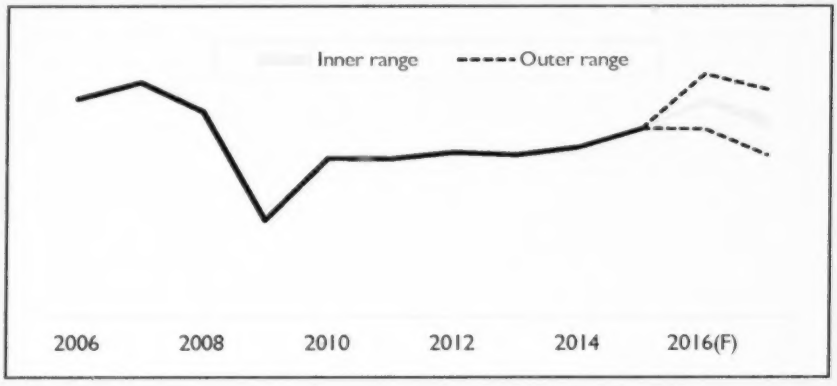
in the mortgage rate itself. As a result, borrowers could adjust their purchase behaviour in several ways. For example, they could purchase homes that are less expensive, add more down payment, delay their purchase in order to save additional funds for down payment, or add a co-signor. According to our analysis, from 5 to 10 per cent of all prospective home buyers could be affected during the first year of implementation, but the precise impact will vary depending on specific homebuyer circumstances and behaviours. Considering regional variations in drivers of housing activities, it is also likely that the impact of the announced changes could be different across the country. Taking into account all possible scenarios, the impacts on house prices, sales, and starts are within the lower band of our outer forecasting range that is designed to capture unexpected economic and financial developments, as well as unforeseen regulatory changes at the local, provincial, and national levels.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Trends at a glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to stay near current levels until the end of 2016, before rising modestly over the forecast horizon. This should contribute to a slight moderation in housing demand by the end of 2018.
Population	The population of the Kelowna area will increase steadily over the forecast horizon, supporting housing demand. Steady migration to the area is expected over the forecast horizon.
Employment	Total employment in the first eight months of 2016 was down 2.8 per cent relative to the same period in 2015. However, employment levels are anticipated to recover slightly based on local demand for labour firming up in the latter half of 2016. Employment levels are expected to post gains of 2.2 per cent in 2017 and 1.7 per cent in 2018.
Resale Markets	Total residential MLS® sales have posted record gains so far in 2016, which has not been equally met by an increase in new listings. Following an active 2015, resale transactions are expected to post a new record level of sales in 2016, followed by a slight moderation in sales in 2017 and 2018.
Supply of Newly Completed and Unabsorbed Units	The inventory of completed and unabsorbed units remains low in the multiple-family segment, while single-detached inventories maintain a steady level. This will support steady new home construction activity of single-detached and increased development of multiple-unit home types, particularly in the apartment condominium segment where inventories have remained at zero for the majority of 2016.
Vacancy Rates[10]	Vacancy rates for the Kelowna area are forecast to decline in 2016 as completions of new rental units are not anticipated to keep pace with population growth and subsequent increase in rental demand. As more new rental units complete and add to the rental stock, it is expected that this increased supply will begin to lift vacancy rates in 2017 and 2018.

[10] The apartment vacancy rate is for purpose built rental apartments.

Forecast Summary Kelowna CMA Fall 2016									
	2013	2014	2015	2016(F)		2017(F)		2018(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	579	695	628	680	760	600	750	570	760
Multiples	434	616	652	1,350	1,620	880	1,070	725	945
Starts - Total	1,013	1,311	1,280	2,090	2,310	1,520	1,780	1,380	1,630
Resale Market									
MLS® Sales	4,016	4,886	5,378	6,500	6,900	5,520	6,290	4,820	5,890
MLS® Average Price($)	398,028	425,996	435,261	491,100	498,900	516,400	533,600	522,500	547,500
Economic Overview									
Mortgage Rate(5 year)(%)	5.24	4.88	4.67	4.50	4.90	4.40	5.20	4.50	5.70

	2013	2014	2015	2016(F)	2017(F)	2018(F)
Rental Market						
October Vacancy Rate (%)	1.8	1.0	0.7	0.5	1.5	2.0
Two-bedroom Average Rent (October)($)	970	980	1,002	1,030	1,050	1,065
One-bedroom Average Rent (October)($)	778	788	799	825	840	855
Economic Overview						
Population	187,840	191,190	197,274	200,529	203,966	207,387
Annual Employment Level	90,300	90,300	92,000	90,200	92,200	93,800

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 30th September 2016. (L)=Low end of Range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, CREA(MLS®), CMHC Forecast (2016-2018).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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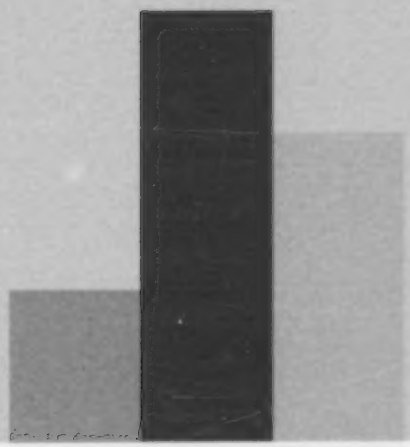

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- Housing Now Tables
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- Housing Market Outlook, Highlight Reports – Regional and Northern
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